Hotels:
Premium outbound cohort's travel trends

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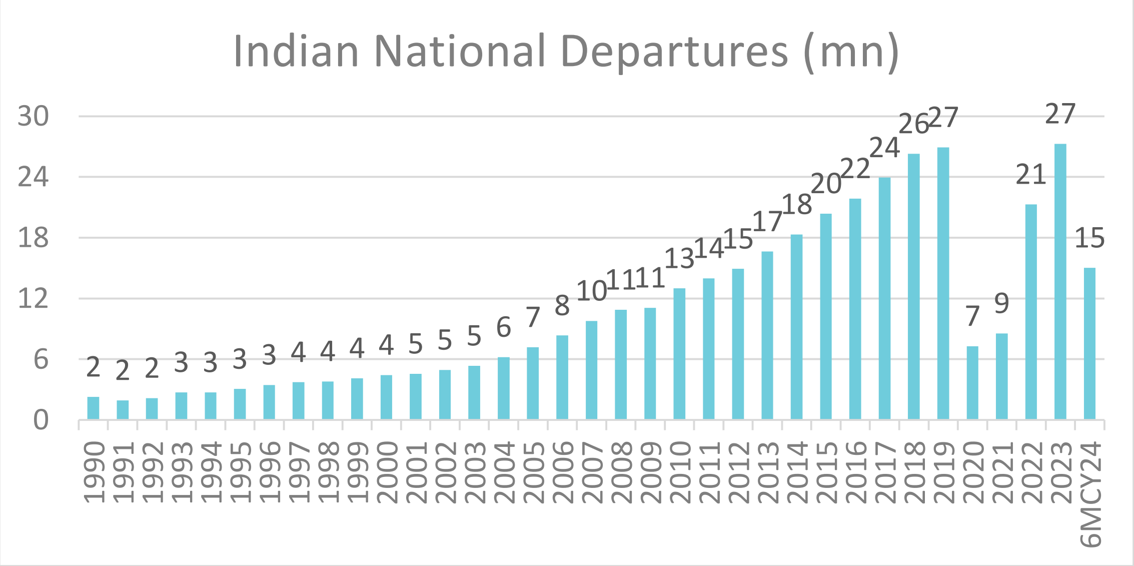
Key trends

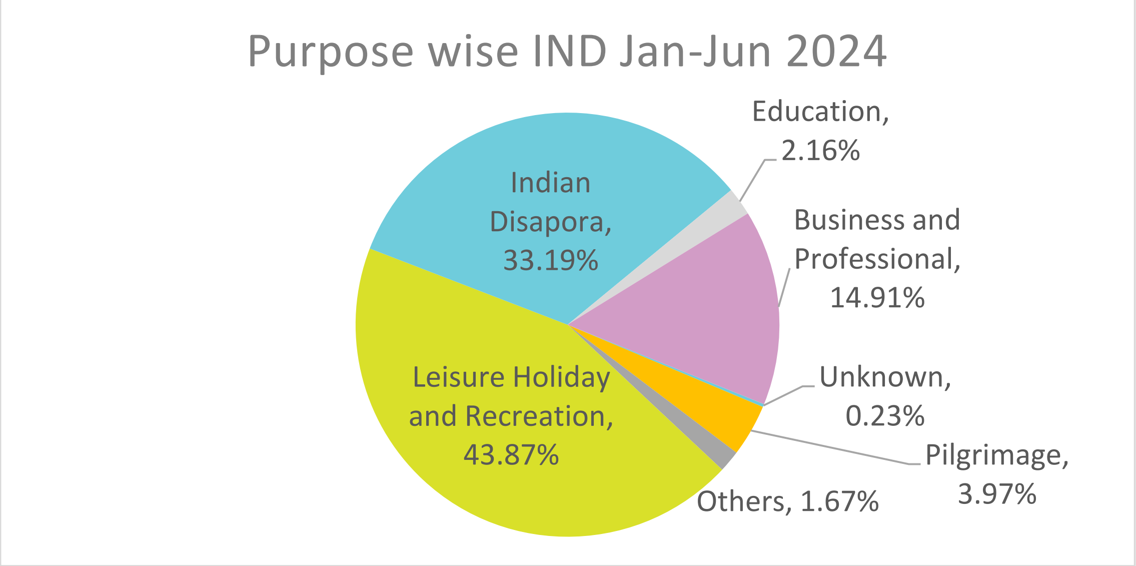
- The number of Indians travelling abroad has already surpassed pre-covid peaks in Jul-23 and has been hitting like-for-like monthly peaks every month since. Even for 6MCY24, it has grown 14% YoY. To compare this with domestic travel demand, passengers carried by domestic airlines have grown 4% YoY in 6MCY24.
- Although all restrictions have been lifted with a substantial rise in the number of people taking two or more trips, absolute growth in volume compared with pre-covid levels is not very impressive. However, a counterargument is the increase in travel budgets, as there is a growing preference for business class travel.
- As per Makemytrip (MMT), 55% of international travel is happening for leisure purposes.
- MMT's report, 'How India Travels Abroad,' reveals a surge in international travel among Indians. Travelers are exploring new destinations and showing a growing preference for business-class flights.
- It also highlighted people taking two or more international trips have grown by 32% while those taking three or more international trips have grown by 37%.
- This indicates strong demand at the high end of the market, consistent with the preference for premium products, especially in terms of value, seen in growing preference for business travel.
- A notable trend is a growing emphasis on urban nightlife as primary travel purpose. This suggests a shift toward younger travellers, possibly those without children or elderly companions.
- Spontaneous bookings account for ~50% of international tickets, suggesting a tendency towards impulsive travel decisions. We believe a similar dynamic is at play in domestic leisure travel that leads us to believe demand for key destinations could experience a sudden revival.
- Booking trends show preference for last-minute travel to Oman, UAE, Qatar, Nepal, and Azerbaijan with European and Canadian destinations usually reserved well in advance.
- International travel demand remains relatively steady throughout the year, a positive trend that could encourage efforts to reduce seasonality in domestic destinations too.
- Delhi and Mumbai have been the top port of choice to fly abroad due to better connectivity. Interestingly it also reflects in MMT's share of searches data.

More Indians taking international trips…

- The number of Indians travelling abroad has already surpassed pre-covid peaks in Jul-23 and has been hitting like-for-like monthly peaks every month since.
- Even for 6MCY24, it has grown 14% YoY and 12% versus 6MCY19. To compare this with domestic travel demand, passengers carried by domestic airlines has grown 4% YoY in 6MCY24.
- Although all restrictions have been lifted and there has been a substantial increase in the number of people taking two or more trips, the absolute growth in volume versus pre-covid levels is not very impressive. However, a counterargument is the increase in travel budgets, as there is a growing preference for business class travel.
- As per Makemytrip (MMT), 55% of the international travel is happening for leisure purposes. MMT's data on purpose of international travel is consistent with the Ministry of Tourism trends.



Source: Ministry of tourism



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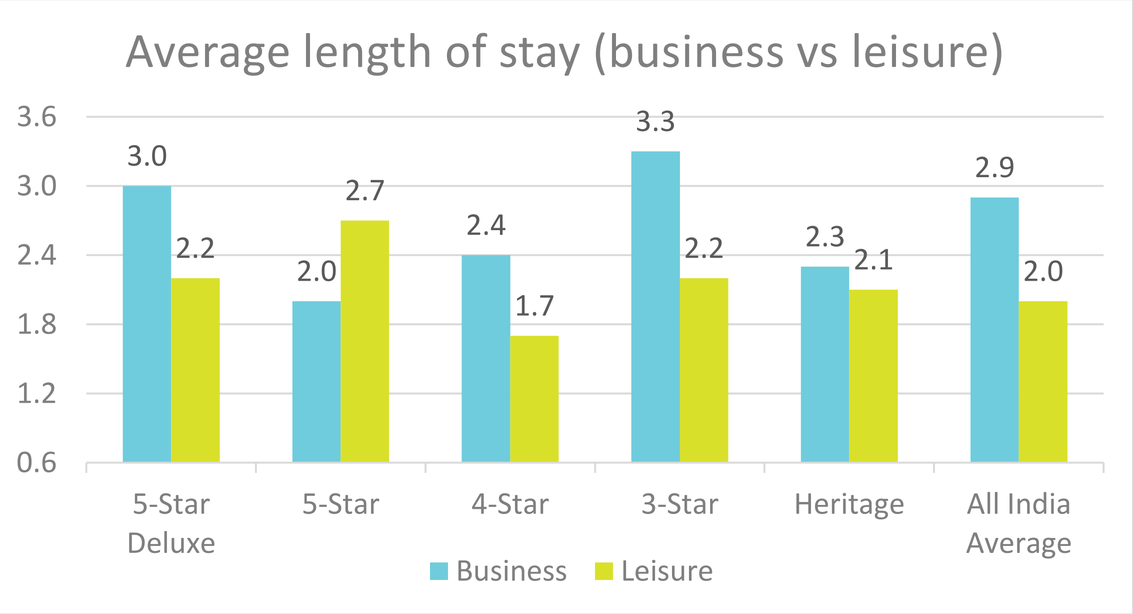
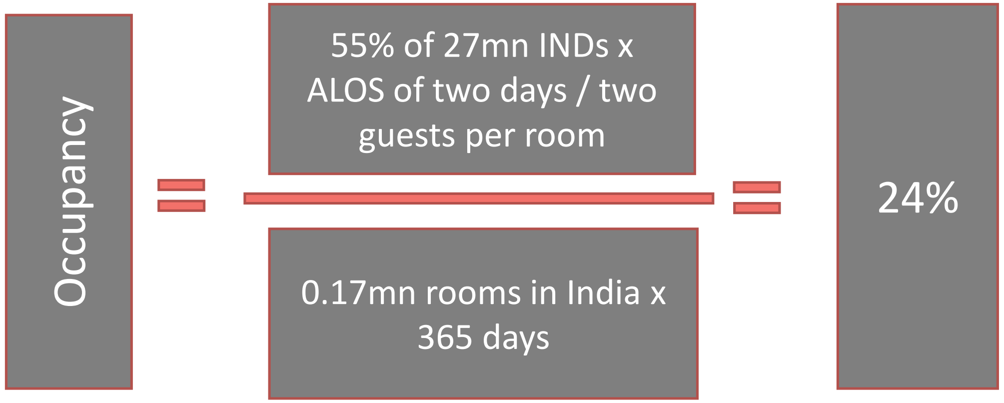
…which has been a precious cohort

- Based on the typical two-day stay of leisure guests in India, we reckon outbound travellers contributed around 150,000 room nights, representing a 24% expansion in demand. This additional demand pool helped boost occupancy and average room rates during the covid recovery period.
- Due to higher purchasing power of this segment, the impact on RevPAR is even more pronounced. Hotel revenue management heavily relies on the price sensitivity of this retail group, and we believe it shall be difficult to replace the outbound traveller segment, which shall also limit pricing flexibility. This is further compounded by the slow recovery in foreign tourist arrivals.



Source: Indian Hotel Industry Survey 2019, FHRAI

Outbound travellers contributed 0.15mn room nights during Covid, which is difficult to replace



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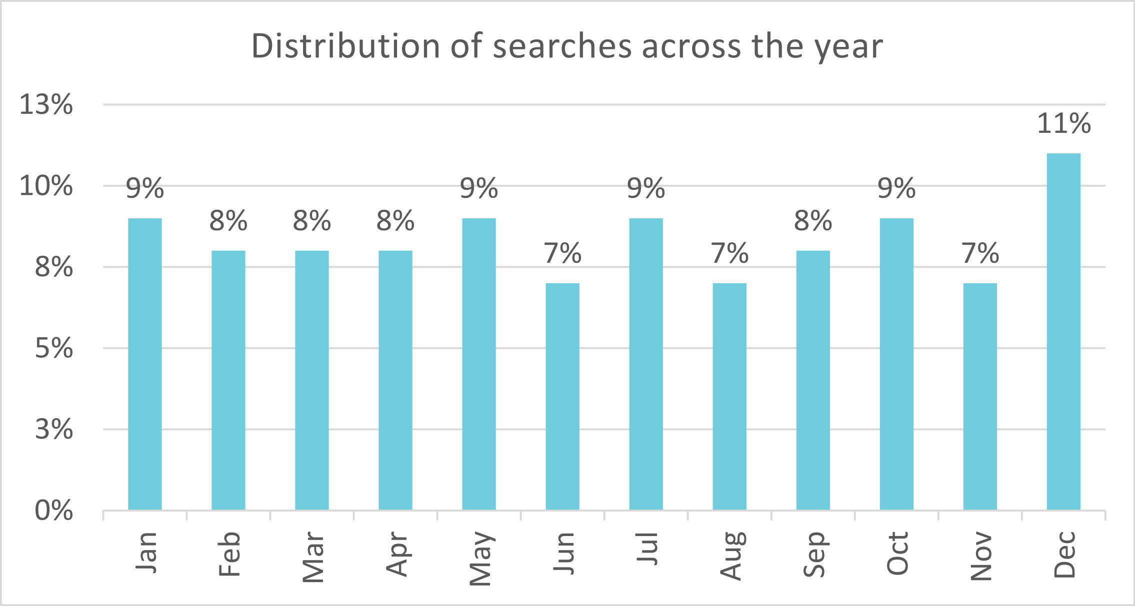
…and their demand is consistent round the year

- International travel demand remains relatively steady throughout the year, a positive trend that could encourage efforts to reduce seasonality in domestic destinations too.



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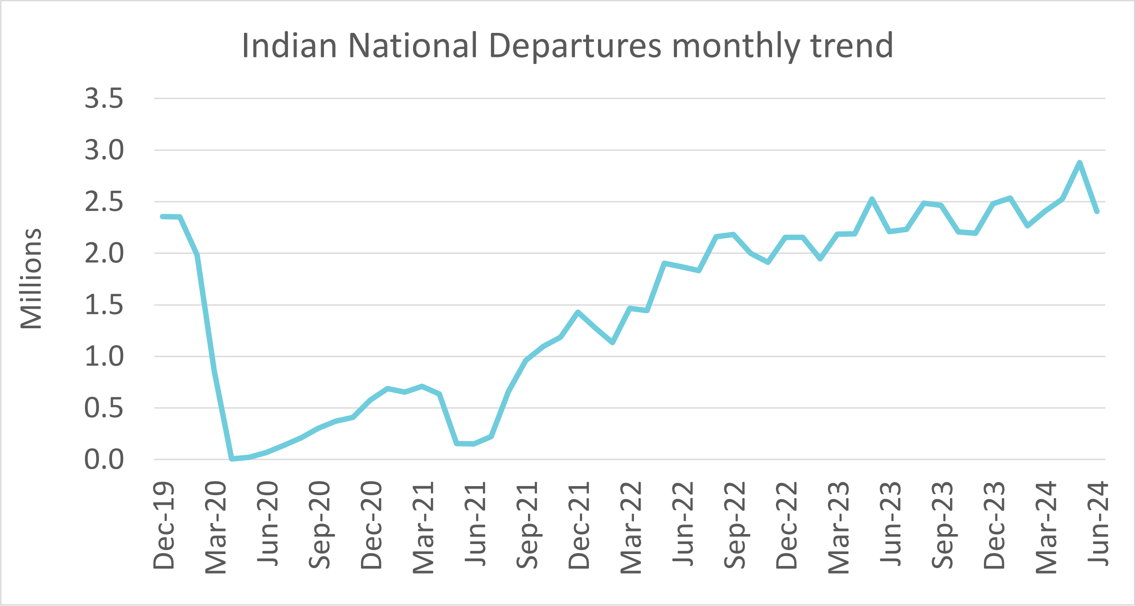
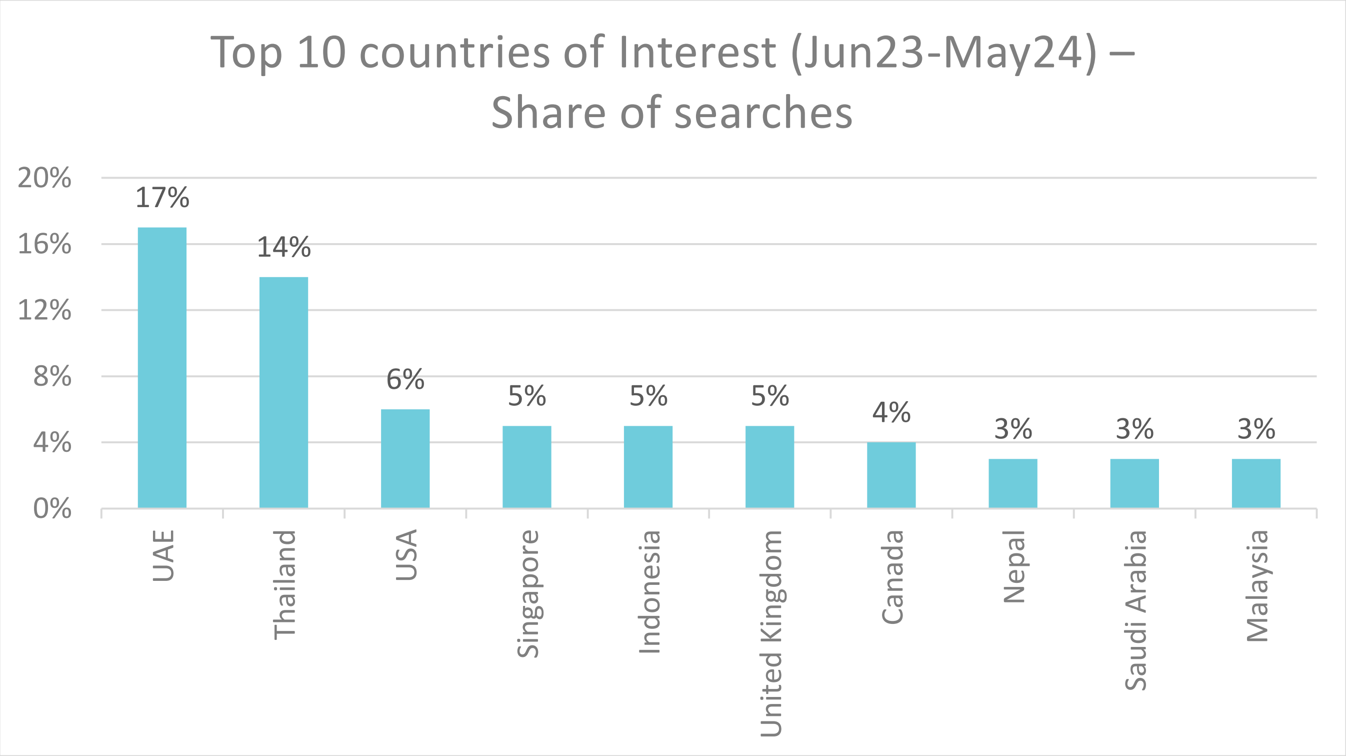


Source: Ministry of tourism

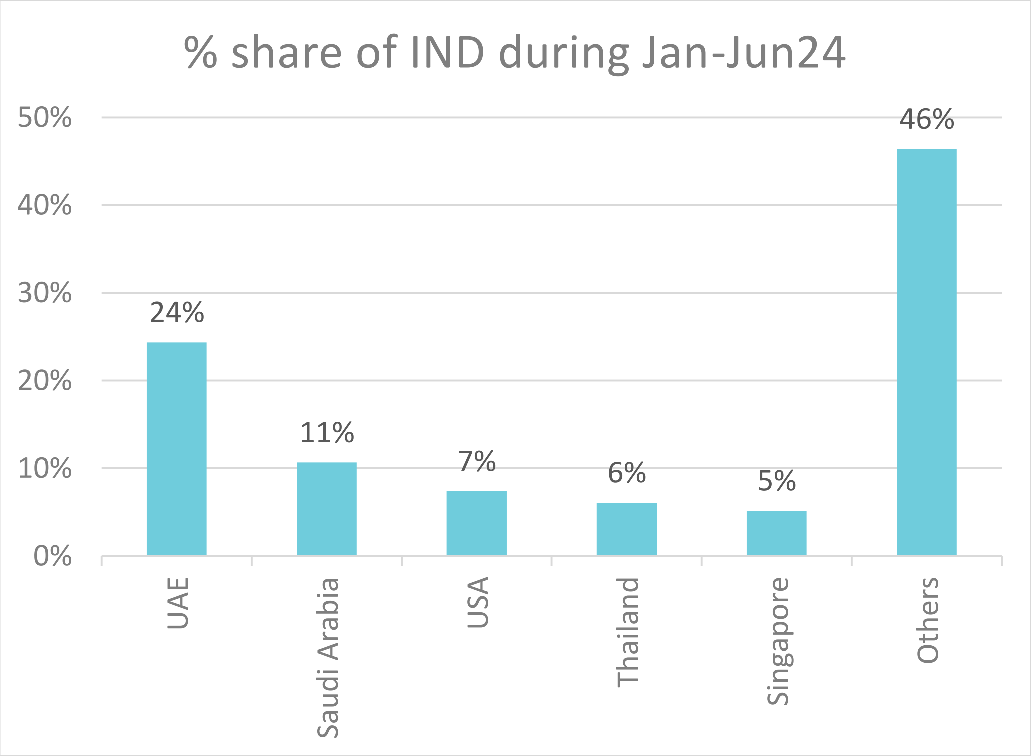
Frequency of travel also increasing…

- MMT’s report, 'How India Travels Abroad,' reveals a surge in international travel among Indians. Travellers are exploring new destinations and showing a growing preference for business-class flights.

- It also highlighted people taking two or more international trips has grown by 32% while those who are taking three or more international trips has grown by 37%. It demonstrates the pricing power of the outbound cohort both in terms of driving occupancy as well as non-room income.



Source: Makemytrip



Source: Ministry of tourism

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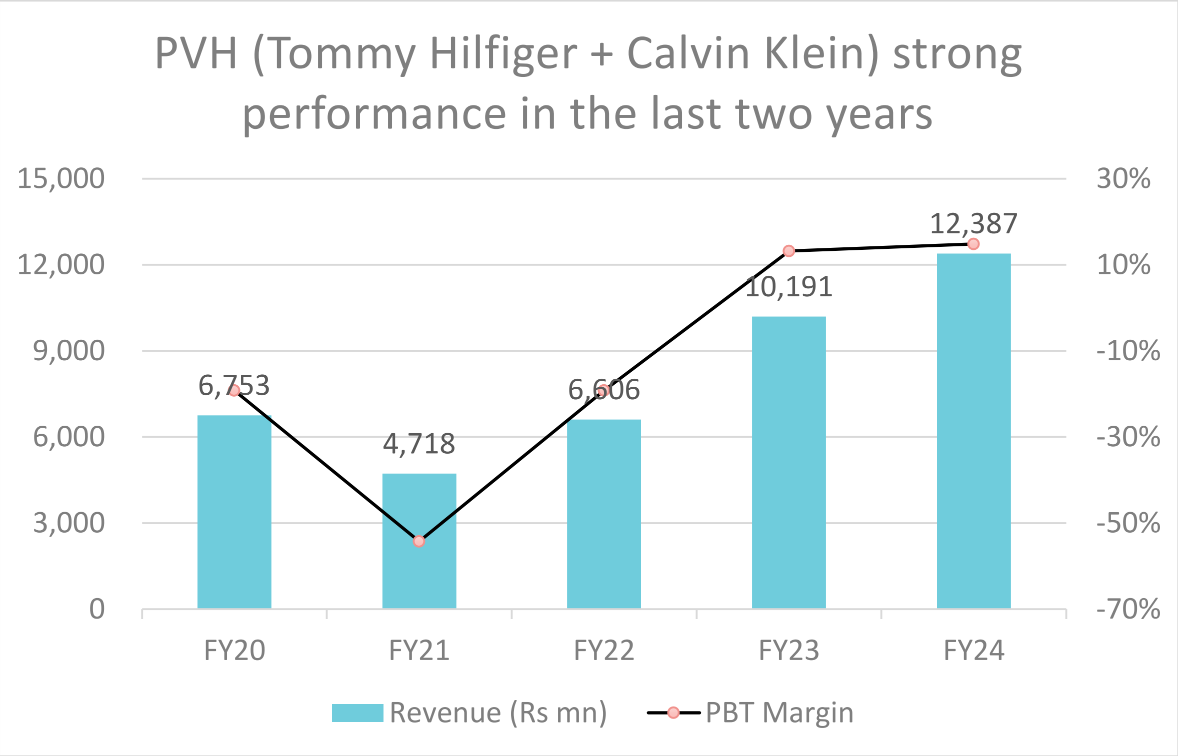
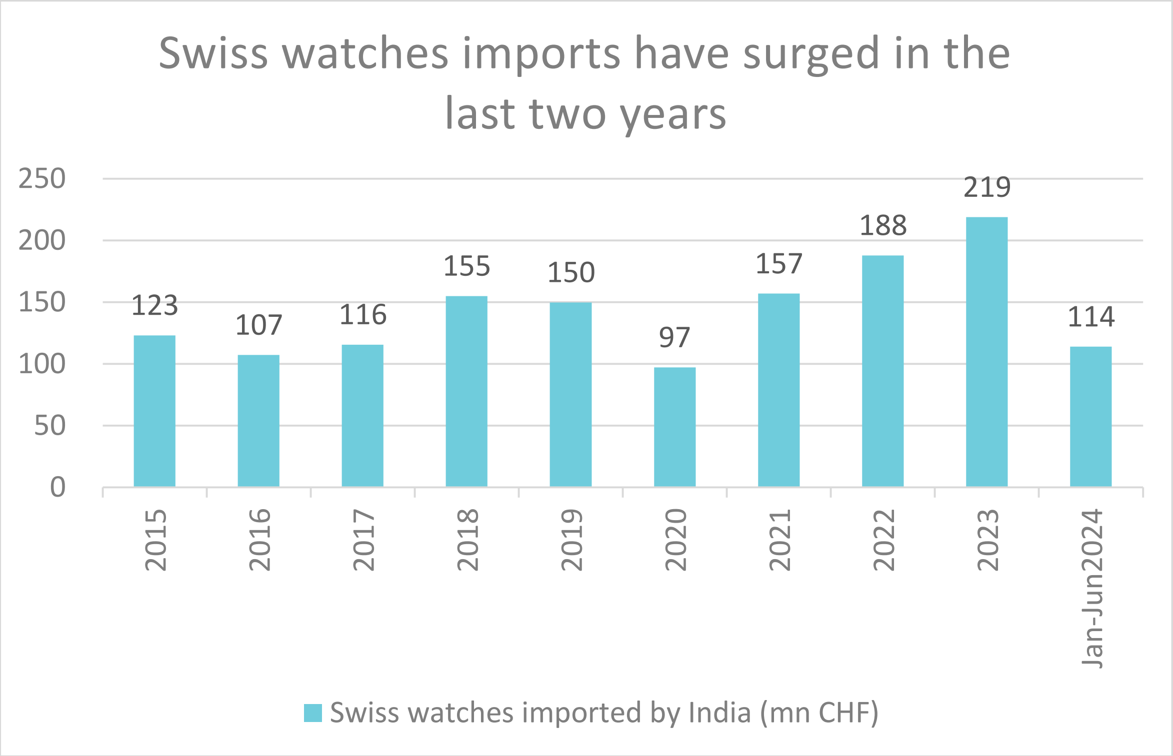
...which ties up with premium category demand

- This indicates strong demand at the high end of the market, which is consistent with the preference for premium products, especially in terms of value, seen in the growing preference for business travel.
- Demand for consumer goods at the luxury end reflects the higher frequency of outbound travel. PVH portfolio under Arvind Fashion has become 1.8x FY20 levels. Similarly, imports of Swiss watches in India grew 1.5x in CY23 over CY19.



Source: Arvind Fashions, Nuvama



Source: Federation of Swizz watch Industry, Nuvama

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Younger and spontaneous travellers lead

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- Spontaneous bookings account for ~50% of international tickets, suggesting a tendency towards impulsive travel decisions. We believe a similar dynamic is at play in domestic leisure travel, which leads us to believe that demand for key destinations could experience a sudden revival.
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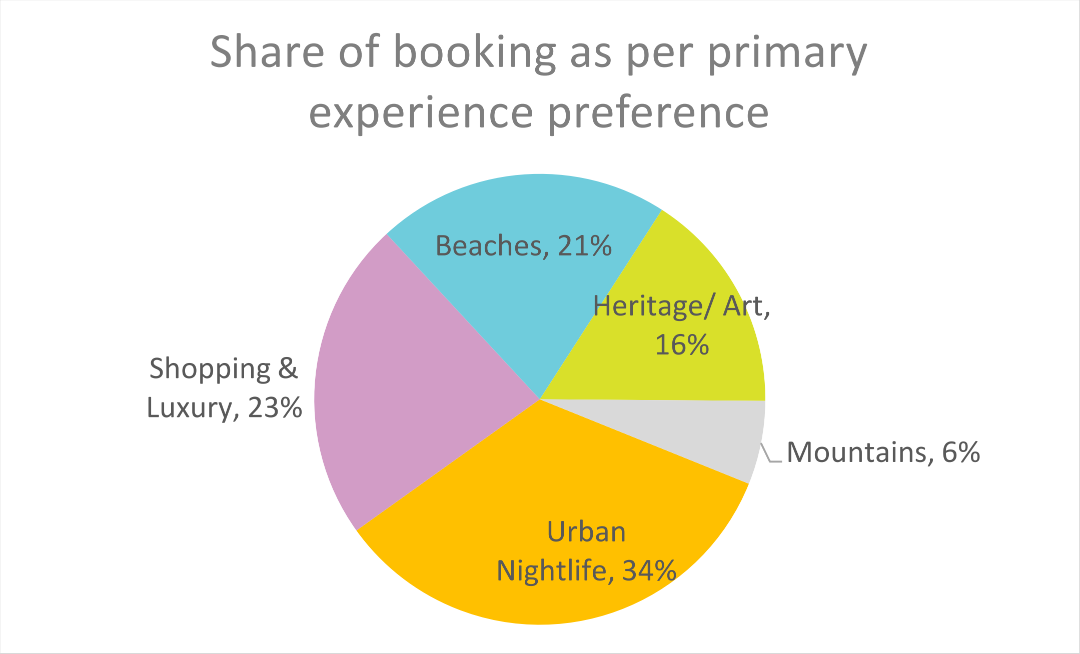
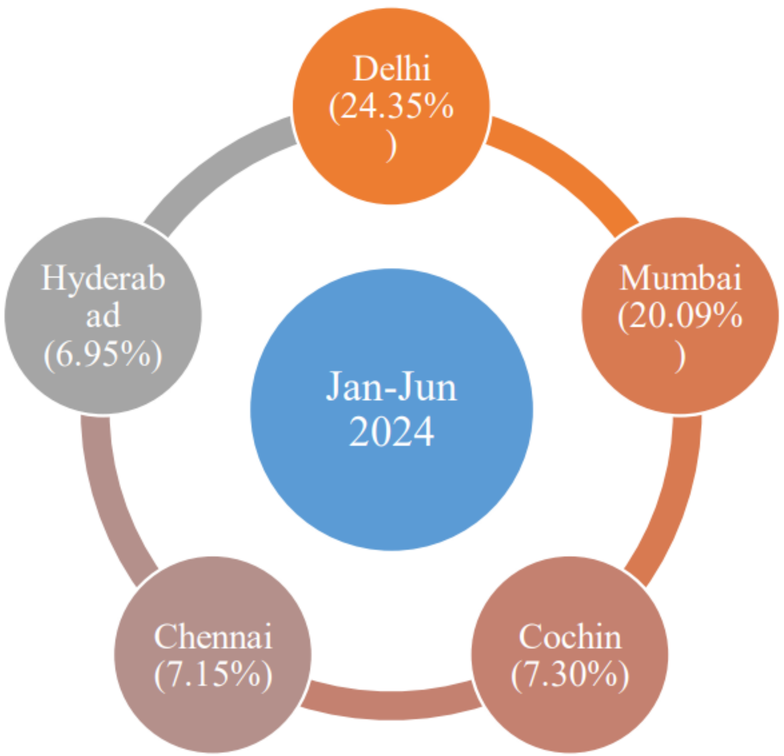


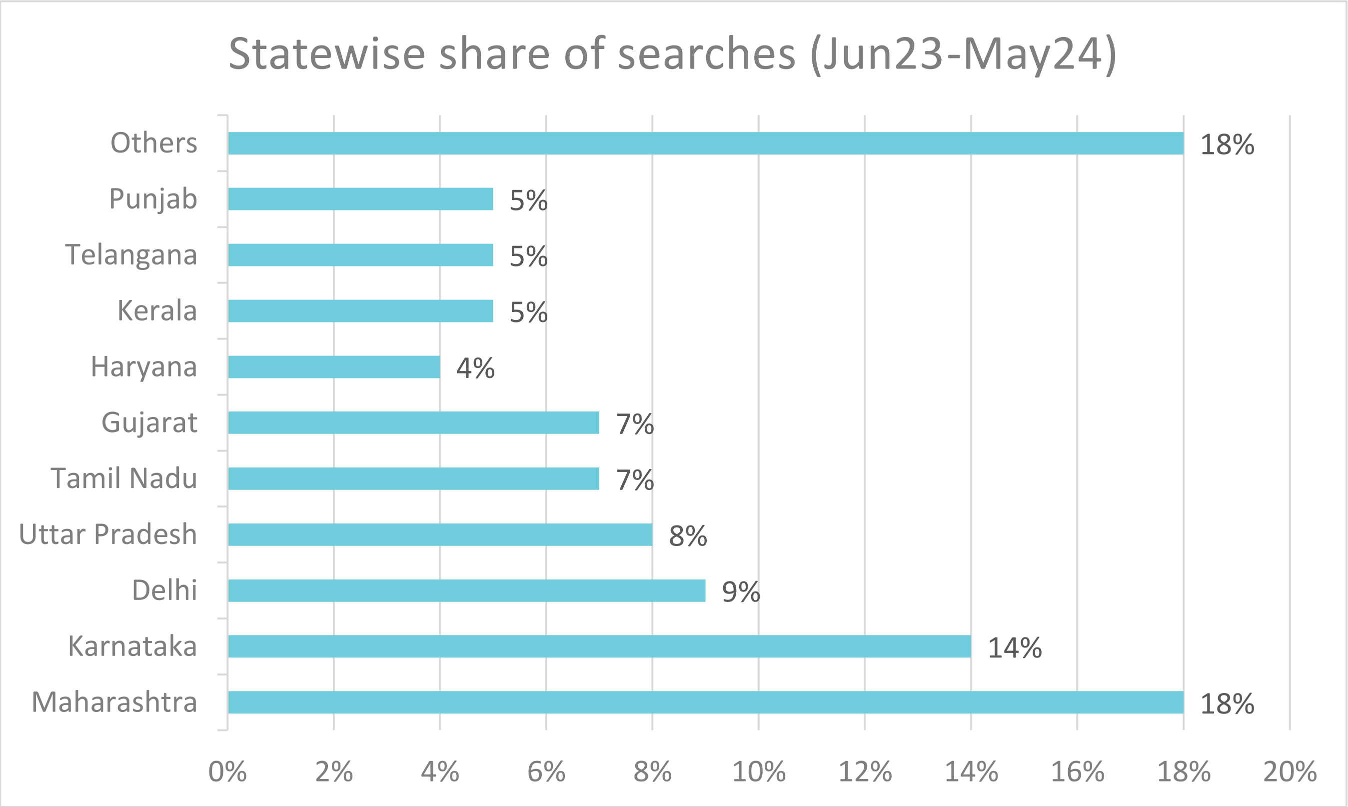
Source: Makemytrip

Maharashtra tops outbound travel in India

- Delhi and Mumbai have been the top port of choice to fly abroad due to better connectivity. Interestingly, it also reflects in MMT's share of searches data.



Source: Ministry of tourism



Source: Makemytrip

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Thank you….

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